Outlook For Ontario Export Industries 1975

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PROSPECTS FOR ONTARIO
EXPORT INDUSTRIES
1975

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June, 1975

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SUMMARY

This paper reviews Ontario's export performance in the key non-auto sectors in 1974 and provides an outlook for 1975. Special emphasis is given to the possible adverse employment impact of a slump in export demand.

Exports account for approximately 23 per cent of Ontario's Gross Provincial Product. It is estimated that over 225,000 Ontario jobs are directly related to export production; most of these are in the manufacturing sector.

Four-fifths of Ontario's domestic exports are shipped to the U.S. market. Motor vehicles and parts constitute the most significant export category accounting for nearly half of the total. Ontario exports are more heavily concentrated in end products and fabricated materials than are total Canadian exports.

The real value of Ontario domestic exports declined by 17.2 per cent year to year in 1974, reflecting the effects of:

- the relative appreciation of the Canadian dollar in 1973 and early 1974,
- the U.S. recession, and
- increased foreign competition in export markets.

The outlook for 1975 is for a further decline in exports. Non-auto manufactured goods will be the weakest sector in the projected slump. Weakness in export demand could result in a loss of 14,000 to 21,000 jobs in the Ontario non-auto export sectors during 1975.

- Among the leading export industries, pulp and paper, copper and alloys, aircraft and parts and distilleries may be hardest hit. A large proportion of the smaller secondary manufacturing exporters may register employment reductions.

- The employment outlook for the steel group and nickel producers remains strong despite the general slump in export demand.

I. THE SHORT TERM EXPORT OUTLOOK

The extent and duration of the United States recession and increased foreign competition in export markets are the two major factors that affect the prospects for Canadian exports in 1975. Table 1 presents a summary of a forecast of aggregated Canadian exports prepared by the Conference Board early this year (a more detailed forecast is included in Table 1 of the Appendix). Their forecast assumed a modest recovery in the U.S. economy during the second half of 1975, resulting in a level of real GNP in that country only one to two per cent below the 1974 level. It was also assumed that, despite a substantial trade deficit, the exchange value of the Canadian dollar would average $101.25 U.S. during 1975, reflecting significantly increased capital inflows. Consequently, they assumed that export markets would be highly competitive particularly in the fabricated material and end product categories.[1] This outlook suggests that Canadian exports will deteriorate by a further 5 per cent, in real terms, in 1975, after declining by over 3 per cent in 1974.

FORECAST OF CANADIAN EXPORTS
(Change in 1961 dollars)

Table 1

	Per Cent Change	
	1974/73	1975/74
Motor Vehicles	-7.9	-4.1
Manufactured Goods	10.0	-13.0
Resource Materials	-3.3	-1.8
Forest, Farm and Fish	-8.7	-0.4
Wheat	-13.4	0.7
TOTAL MERCHANDISE EXPORTS	-3.3	-4.7

Source: Quarterly Canadian Forecast, December 1974, Conference Board in Canada.

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[1] It should be noted that the Conference Board simulations cover a period in which there is little consensus among economic forecasters. Consequently, the assumption set is somewhat tenuous. Recent forecasts of the U.S. economy suggest that assumption of a modest U.S. recovery in the second half of 1975 may be too optimistic. Furthermore, published forecasts of the Canadian exchange rate have varied considerably, ranging between an average of $0.98 and $1.04 for 1975. The Canadian dollar has generally fluctuated in the lower part of this range through most of the first half of this year. Despite these limitations, the Conference Board solution does appear to provide a reasonable approximation of 1975 aggregate export trends. Recent publications from the Board indicate a somewhat more pessimistic view of the 1975 Canadian export picture is evolving.

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It is of particular concern to Ontario that the projected decline should be led by the manufactured goods category which has been projected to fall in real terms by approximately 13 per cent. The export slump is projected to "bottom out" in the second quarter, but the outlook for the third and fourth quarters promises only marginal recovery. In total, the "real value" of Canadian exports in 1975 is expected to be almost 8 per cent below the level achieved in 1973.

Industry Outlook

The export outlook of the leading Ontario non-auto export sectors is analysed below on an industry by industry basis. The total effect on provincial employment is difficult to estimate given the limited detailed data on exporting industries other than the key ones considered below. Analysis of aggregate export figures, however, indicates that most of the additional export-related employment is in the secondary manufacturing sector, the area of softest demand in the short-term outlook. This sector is composed of a great number of industries, each of which accounts for less than one per cent of total provincial exports.

On the basis of the aggregate outlook for exports in Ontario's non-auto manufacturing sector, it is estimated that 12,000 to 18,000 export related jobs could be lost in these industries during this year. A further 2,000 to 3,000 export-related jobs could be lost in the resource sector of the province.

In summary, the outlook for the key export-related sectors of the Ontario economy which follows suggests that:

- Performance in the steel industry should be strong, with domestic demand largely offsetting export declines;
- Mining industries have had a long term labour shortage problem - further general employment cutbacks in the mines are unlikely although smelting and refining workers could be laid off;
- Copper will continue to experience weak prices due to oversupply conditions - production cutbacks and reductions in capital investment in new projects are planned for 1975;

- Little improvement in the market for pulp and paper is expected before the end of 1975; and
- The export outlook for those industries which are tied to production of consumer durables and capital goods is not promising.

Steel

- Total Ontario employment -- 60,586
- Total export employment -- 11,100
- Declines in export demand should be largely offset by increased domestic consumption.
- Capital expenditures by the steel producers themselves will account for a significant share of steel demand in 1975.
- Steel plants are expected to operate at capacity through the first quarter of 1975 and probably into the second.

All three producers -- Stelco, Algoma and Dofasco -- had record profits and sales in 1974. This performance was attributed partly to unusually strong demand and partly to inflation. Total Canadian domestic steel consumption in 1974 was 13.3 million tons, composed of 11.5 million tons of domestic mill shipments and about 1.8 million tons of net imports.

Sharply higher raw material and energy costs were experienced in the industry in 1974. Despite increased costs, domestic steel prices remained below those for imported steel. If the price differential of Canadian vs. foreign steel is maintained, Canadian producers could gain a larger share of the domestic market. One source has already forecast a 3 per cent rise in domestic consumption of Canadian steel in 1975.[2]

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[2] Nesbitt, Thomson & Co. Ltd., Toronto, February 1975.

The employment outlook for the steel-related industries is favourable. Although the prolonged slowdown in the North American automobile and housing industries has softened demand, a worldwide shortage of capacity at the beginning of the recession period enabled domestic steel producers to redistribute previously cancelled tonnage to other consuming markets. These stronger markets include industrial construction, agricultural machinery, transportation and container industries and the expansion of the steel mills themselves. Broad declines in world demand have created temporary excess capacity, but producers are continuing expansion plans to meet longer term demand.

- Dofasco has announced the immediate construction of a basic oxygen steelmaking plant in Hamilton (which will increase the firm's steel ingot output of 3 million tons annually by 1.3 million tons per year in late 1977 and, ultimately, to 7.5 million tons). Current employment of 9,350 in Hamilton will be expanded substantially. The firm has another $200 million worth of construction projects underway in Hamilton.

- Stelco expects 1975 production to be relatively flat with production employment in Hamilton continuing at 12,000. In 1976, production should increase by at least 500,000 tons, reflecting plant expansion and maintenance programs currently underway. Completion of its $200 million hot strip mill at Nanticoke is now planned for early 1978.

- Algoma plans to begin operations at its new 5,000 ton world scale blast furnace at Sault Ste. Marie this spring. Smaller projects as additions to steel processing capacity are also planned, such as a new coke-oven plant and a new slab casting facility. Algoma employed approximately 9,000 people last year and expects to expand employment by 1,500 over the next two years.

Overall steel operations therefore are expected to continue at capacity through the first quarter of 1975 and probably into the second. Potential employment losses attributable to export weakness should be neutralized by production shifts to meet expanded domestic demand.

Although the general outlook for the steel industry is favourable, a number of factors imply less certainty for the second half of 1975 and beyond:

- Labour - Both Stelco and Algoma face negotiations with United Steelworkers since existing contracts expire on July 31. While a strike is generally considered unlikely, anticipatory inventory accumulations by domestic users could reduce demand in the second half.
- Coal - Ontario steel production is predominantly reliant on U.S. coking coal. There is some apprehension that the U.S. might retaliate for any cutbacks in natural gas

shipments by curbing coal exports to Canada. The feasibility of substituting western Canadian coal is limited by transportation bottlenecks and by quality differences in the coal itself.

- Energy Prices - Iron and steel mills are major users of energy among Ontario manufacturing industries. Possible price increases, particularly for natural gas, could result in steel price increases.

Historically 60 per cent of Ontario's iron ore production has been consumed by domestic steel producers, with the U.S. as the major export market. Iron ore is the most abundant mineral in the world and world competition in our export markets could become substantial. Based on the favourable outlook for Canadian steel industries, however, severe cuts in the level of iron ore production are not anticipated for 1975. Price increases for iron ore are likely due to rising production costs.

Pulp and Paper

- Total Ontario employment -- 23,200
- Total export employment -- 15,500
- Demand for pulp and paper is softening and little improvement is expected before the end of 1975.
- Price declines are unlikely because costs, especially for energy, are rising.
- Temporary mill shutdowns and layoffs may be used to slow inventory build up.

The Canadian pulp and paper industry experienced record shipments in 1974 with a growth of 5.4 per cent to 21.9 million short tons valued at $5 billion. Newsprint and pulp accounted for most of the increase in production. Canadian shipments to domestic and overseas markets grew slightly more relative to those to the U.S. customers. Ontario producers, however, remain heavily reliant on the U.S. market.

CANADIAN SHIPMENTS PULP AND PAPER IN 1974 Table 2

Country	Tons	% of Total	% Growth
Domestic	4,963,000	22.7	6.5
U.S.	11,224,000	51.3	1.4
Britain	1,290,000	5.9	8.0
Western Europe	1,983,000	9.1	24.5
Japan	700,000	3.2	-0.1
Latin America	826,000	3.7	5.5
Other	912,000	4.1	19.0
TOTAL	21,898,000	100.0	5.4

Source: Canadian Pulp and Paper Association.

The tight pulp and newsprint supplies of a year ago have been corrected. Demand for pulp and paper products is softening, but price declines are unlikely because costs are rising. Labour negotiations for most of the industry's more than 150,000 unionized workers in Canada will occur this year. A large wage settlement could aggravate the strains of the cost-price squeeze already facing the industry due to increasing energy costs.

A large proportion of operating expenditures in the pulp and paper industry go to energy purchases. The industry accounts for 12-16 per cent of Ontario's manufacturing consumption of major energy sources -- electricity, natural gas, fuel oil and coal.[3] Continued upward pressure on energy prices in 1975, particularly in the area of natural gas, could damage the competitive position of Ontario pulp and paper producers.

The employment outlook in the pulp and paper industry is unstable. Since approximately 15,500 of the 23,200 pulp and paper jobs in Ontario are dependent on export markets, primarily in the U.S., continued

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[3] Energy Consumption by Ontario Manufacturing Industries, Ontario, Economic Papers, May 1974.

weakening of foreign demand could have severe employment effects through a series of temporary mill shutdowns and layoffs. Two Canadian producers -- Abitibi Paper Co. Ltd. and Domtar Ltd. -- have used temporary mill shutdowns in Ontario early this year to slow inventory build up. Producers do not feel that price cuts would lead to greater sales because their customers built up large inventories during the period of shortages and rising prices last year.

The forest based industries historically have faced recurring boom and bust cycles. Although the timing of the market turnaround is uncertain, demand for paper is not expected to increase appreciably at least until the Fall. Pulp sales usually follow such demand changes with a three month lag. Marketing emphasis in 1975 will focus on the further development of long-term supply agreements in an attempt to even out demand fluctuations in the years ahead.

Copper and Nickel

- Mines employment -- 16,300
- Export related employment -- 9,000

- Alloys, rolling, casting and extruding industry employment -- 5,500
- Export related employment -- 1,700

- Copper prices will remain weak due to oversupply conditions.
- Long-term contracts for nickel deliveries through 1977 will cushion declines in export demand. Nickel prices rose steadily in 1974.
- Due to long-term labour shortages, general employment cutbacks in mining are unlikely although workers in smelting, refining and fabricating activities could be laid off.

Copper: Copper prices have declined steadily in recent months reflecting oversupply conditions and declines in the level of activity of principal copper consuming industries (electrical, automotive, construction). In early February, copper wirebar prices declined for the fifth time since September 1974, bringing the total decline to 23% in a four month period. Western world refined copper consumption was down 7% in 1974. A further 4% drop is forecast for 1975.

Approximately 36% of world copper production comes from CIPEC (Intergovernmental Council of Copper Exporting Countries), a cartel which includes Chile, Zambia, Zaire and Peru. CIPEC has announced a 10% cutback in shipments in an attempt to maintain price. Noranda has reduced output levels for the first quarter of 1975 by 20% from previously planned levels. As a result of slumping export demand and inventory accumulations, 1975 production cutbacks by Canadian producers are forecast at 10% of mine capacity. Despite these cutbacks, inventories will continue to expand reflecting economic slowdowns in the U.S., Japan and the EEC (the major consumers of Ontario copper).

The mining industries have had a long term labour shortage problem. General employment cutbacks in the mining aspect of copper production, therefore, are unlikely even in the face of weakening demand. However, employment in the fabricating process is more vulnerable to demand fluctuations, and continued depression of the export markets will likely result in some reduction in jobs in this sector.

Nickel: Canada's percentage share of world nickel production has declined, as less developed countries have entered the market. New mining development in Ontario and Canada will probably be limited as a result of cost considerations and the lack of exploration potential.

CANADIAN SHARE OF NON-COMMUNIST WORLD NICKEL PRODUCTION

Table 3

Year	Canada	Other Countries
1964	75%	25%
1968	66%	34%
1971	44%	56%
1976 Proj.	35%	65%

Source: Canadian Minerals Yearbook

Major consuming countries of Canadian nickel production are the U.S.A., U.K. and Japan. In 1970, only 3.9 per cent of Canadian production went to domestic consumption. The major consumers of nickel are the steel making and auto industries.

There has been an increasing trend toward substitution of other elements for nickel as an alloying agent in steel production. Continued price increases for nickel could accelerate this trend.

While there was some softening in the export sales of nickel and nickel alloys in the last quarter of 1974 and the first quarter of 1975, production in 1975 is estimated to remain strong at 520-540 million pounds, up from 500 million pounds in 1974:

- domestic long-term contracts account for 450 million pounds of output;
- 60 per cent of output goes to capital goods manufacturing which should be relatively strong in the current economic outlook; and
- long-term outlook is for sustained growth in world nickel consumption.

Aircraft

- Total Ontario employment -- 10,000
- Export oriented employment -- 6,400

Employment expansion depends primarily upon:

- The improved demand for de Havilland's unique product line;
- the recovery of foreign parts markets; and
- the terms of the Department of National Defense procurement contract.

Aircraft production in Ontario is centred on de Havilland Aircraft of Canada Ltd. and Douglas Canada (Division of McDonnell Douglas). The outlook for these firms is mixed.

Douglas Canada at Malton produces wings and parts for Douglas DC-10 and DC-9 aircraft. Over the last two years, approximately 4,600 people have been laid off bringing employment down to about 2,400. The McDonnell Douglas Corporation in the U.S. has recently cut its estimate of sales for DC-10 Trijets by 20 per cent, implying the possibility of additional layoffs. There is a possibility that Douglas will close down these operations if the federal government rejects a proposal to buy the McDonnell Douglas F-15 fighter plane. In a move to maintain production at the Toronto plant, the Export Development Corporation has entered special arrangements with the U.S. Export-Import Bank to finance export sales of aircraft jointly produced by Douglas Aircraft and McDonnell Douglas Corporation.

De Havilland employs about 2,800 people at its Downsview plant. Its outlook depends on the sales performance of its special purpose aircraft.

- The Twin Otter aircraft has had steady sales. Ecuador has placed a $12.5 million order for two Buffalo and three Twin Otter aircraft plus spare parts and ground support equipment and services. Sudan and the National Iranian Oil Company each have ordered two twin Otters.
- The new DHC-7 Stol aircraft is meeting with favourable response:
  - Ottawa plans to purchase 25 of the DHC-7's.
  - As of June 19, 1975, de Havilland had received orders for 22 Stol aircraft from seven airlines in six countries.
  - De Havilland has ordered enough turbo-prop engines for the production of 200 of the DHC-7 aircraft.

A key element influencing the future of the aircraft industry is the plan by the Department of National Defense to spend $800 million on long-range patrol aircraft. Competition has been narrowed to Lockheed and Boeing, and the prosperity of the industry over the next few years will be related to the amount and type of counter-matching orders placed in Canada by the U.S. firm which receives the National Defense contract.

Office Machines and Equipment

- Total Ontario employment -- 7,900
- Export related employment -- 1,900
- The rate of expansion of production and employment levels in this industry is constrained by the economic performance of our trading partners, especially the U.S.
- Domestic consumption could absorb some of the slack in export markets, but the rationalized nature of some segments of this industry limits the degree of import substitution possible.

The domestic demand for office machines and equipment is tied to the level of office expansions. Representatives of the Canadian Business Equipment Manufacturers Association, feel that the first and second quarters of 1975 look good, but performance in later

periods is less certain. The U.S. is the major market for Canadian exports in this sector, and Ontario provides over 90% of the Canadian production shipped to the U.S.

Producers of electronic computers, data processors and related control devices comprise an important subset of this industry. There is a tendency toward rationalization in these fields, although some firms have or are planning unique Canadian full product lines. Corporate sales in Canada and abroad are growing, but more slowly than in past years.

According to one firm, the major obstacles facing producers of data processing equipment are rising labour costs, confusing tariff policies and a strong Canadian dollar. A few years ago substantially lower Canadian wage rates and a weaker dollar made investment here extremely attractive to large corporations. This situation has reversed itself. Recent weakness in the Canadian dollar is seen as a temporary fluctuation, not a trend, by the industry. Investment strategies, therefore, have remained largely unchanged.

The Science Council of Canada survey of the Canadian computer industry indicates that "the protection afforded by tariffs on manufactured computers and components is not a major contribution to the development of a Canadian computer manufacturing industry". Moreover, the industry feels that tariffs on software and on transmission of data should be abolished. The Canadian Association of Data Processing Service Organizations has suggested that an "auto pact" type arrangement in the computer industry may be mutually advantageous to the U.S. and Canada.

Due to the rationalized nature of certain segments of this industry, the rate of expansion in production and employment levels is constrained by the economic performance of our trading partners, especially the U.S. If capital investment and business expansion plans in Canada remain firm, some of the slack from export sale declines could be absorbed domestically. The substantial employment increase of the

June 1970-1973 period, however, cannot be repeated until the U.S. economy begins to recover. With roughly one-quarter of the Ontario jobs in this industry directly related to exports, further employment declines are likely over the next six months.

Distilleries

- Total Ontario employment -- 3,500
- Export related employment -- 1,500
- Demand for Ontario production has fallen due to:
  - development of distilleries in Western Canada
  - new regulations allowing the production of "light whiskey" (rye) in the U.S.
- Employment in 1975 is expected to decline by about 300 jobs.

Although the distilling industry is generally thought to be "recession proof", the claim of industry officials that economic downturns do bring a softening in demand was supported by the 1974 export figures. Recession, however, was not the sole cause of the decline.

Two factors of great importance to the performance of the Ontario distilling industry are the development of distilleries in western Canada and changes in U.S. regulations on the production of whiskey. Western Canadian facilities have reduced Ontario's share of interprovincial sales. Prior to 1970, differences in regulations caused differences in the production process between U.S. and Canadian distilleries. Canadian whiskey is produced at a higher temperature and is stored in re-used barrels. U.S. requirements called for lower temperatures and use of newly charred barrels. The result of the differing regulations was a unique "Canadian style" whiskey and a Canadian monopoly in rye

whiskey in particular. In the early 1970's, the U.S. regulations were changed. Consequently, the U.S. now produces "light whiskey" (rye), and the end of the Canadian monopoly has meant competition, especially in the U.S. "bar brand" market for rye.

The Canadian share of the U.S. whiskey market grew from 4.5% in 1955 to 8.5% in 1969. The change in U.S. production regulations has slowed the growth rate. On the other hand, U.S. import duties on Canadian whiskey have been steadily reduced from $1.25 per proof gallon in 1967 to a present level of $0.62 per proof gallon.

Employment in the distilling industry has grown by 1.9 per cent per year in Ontario since 1970, but it is expected that 1975 will bring a 300 job decline in employment to about the 1972 level of 3,200. Hiram Walker & Sons Limited laid off 100 workers at its distilling operation in Windsor in June and the firm announced that another 50 would not be called back following the normal two week July closing. The company cited sufficient stocks for "our immediate foreseeable needs" as the reason for the lay-offs.

II. BASIC FACTS ON ONTARIO EXPORTS

- Ontario exports account for 23 per cent of GPP and for 38 per cent of total Canadian exports. Fifty-two per cent of fabricated materials and end product exports originate in Ontario.
- Ontario exports are concentrated in end products and fabricated materials (86 per cent of total Ontario exports). These goods are generally highly price elastic and competitive with products of other countries.
- There are 225,000 jobs in Ontario directly related to export production.
    - Some 100,000 of these jobs in Ontario depend directly on exports from the ten leading export industries. Of these, 50,000 are in the auto industry with the bulk of the others concentrated in pulp and paper, steel and the mining and processing of nickel and copper.
    - Another 110,000 export-related jobs are distributed among numerous smaller manufacturing industries in the province.
    - The remaining 15,000 jobs are spread among miscellaneous agriculture and resource industries.
- The Ontario export sector is characterized by a lack of diversification in terms of both products and export markets. In 1973, motor vehicles and parts accounted for 46 per cent of the domestic total. Over 80 per cent of Ontario's total domestic exports were shipped to the U.S. market. The value of shipments of automobiles and parts to the U.S. represented 41 per cent of the value of Ontario's total export production, while non-auto exports to the U.S. made up 40 per cent of total provincial trade.
- Including automotive products, the ten leading exports account for approximately two-thirds of the provincial total.

ONTARIO'S TEN LEADING EXPORTS, 1973 Table 4

Commodity	Value of Shipments ($ Millions)	Per Cent of Total Provincial Exports
Automobiles and Parts	5,043	46.1
Nickel in Ores and Concentrates	435	4.0
Nickel and Alloys	363	3.3
Paper for Printing	301	2.8
Aircraft	270	2.5
Office Machines and Equipment	229	2.1
Copper and Alloys	174	1.6
Distilled Alcoholic Beverages	162	1.5
Wood Pulp and Similar Pulp	157	1.4
Plate, Sheet and Strip Steel	132	1.2
SUB-TOTAL	7266	66.4

Source: Ministry of Industry and Tourism and Statistics Canada

Employment and Exports in Ontario

- Commodity export figures can be related to employment only on an indirect basis.

- The following table portrays total employment in the leading Ontario export industries for the 1970-74 period. It should be noted that the table is based on June 1974 data, the latest available, and consequently does not reflect the effects of slumping export demand over the last year. These figures, thus, provide a benchmark to examine the probable employment impact implied by the current export outlook.

EMPLOYMENT IN LEADING ONTARIO EXPORT INDUSTRIES

Table 5

	Estimated Employment	Average Annual Employment Growth		Jobs Related to Export Production	
	June, 1974	1970-74	1973-74	(#)	(% Total Employment)
Autos	89,100	6.4	3.5	53,200	59.7
Iron and Steel Mills	40,800	1.8	4.1	5,600	13.7
Iron Foundries	7,600	0.3	6.1	1,900	25.0
Smelting and Refining	12,200	-0.8	6.3	3,700	30.1
Nickel and Copper Mines	16,300	1.4	6.8	9,000	55.2
Copper & Alloys, Rolling & Casting	2,300	-0.7	4.6	650	28.2
Metal Rolling, Casting Extruding	3,200	1.3	4.6	1,050	32.8
Pulp & Paper Mills	23,200	1.1	5.9	15,500	66.8
Aircraft & Parts	10,500	-5.6	-0.9	6,400	60.9
Office & Store Machinery	7,900	4.3	-9.5	1,900	22.9
Distilleries	3,500	1.9	9.4	1,500	42.9
TOTAL NON-AUTO	127,500			47,100	36.9
TOTAL	216,600			100,300	46.3

Source: Census of Manufactures, 1974 figures updated by Office of Economic Policy on basis of Statistics Canada Large Firm Data. Export related employment was estimated by Office of Economic Policy.

Details concerning the auto industry have been covered in an earlier paper.[4] Collectively the ten leading non-auto export industries directly accounted for over 125,000 jobs in the province in mid 1974. This group of leading exports displayed only moderate employment expansion over 1970-74 period; with the exception of office machinery, none of the industries registered an average annual employment growth rate in excess of 2 per cent. However, the 1973-74 period was marked by relatively rapid employment growth in some sectors, and significant decline in others.

- The steel related group (iron and steel mills, iron foundries and smelting and refining industries) expanded total employment by 4.1 per cent, 6.1 per cent and 6.3 per cent, respectively.
- Nickel and copper mines and pulp and paper mills also registered substantial one year increases of 6.8 per cent and 5.9 per cent.
- Employment in the office and store machinery industry declined by 9.5 per cent in the 1973-74 period, reversing a substantial four year growth trend.
- The aircraft and parts industry experienced a steady employment decline throughout the period.

As Table 5 above indicates, certain of these industries have a high proportion of domestic employment related to exports:

Pulp and paper	- 67 per cent
Aircraft and parts	- 61 per cent
Autos	- 60 per cent
Nickel and copper	- 55 per cent
Distilleries	- 43 per cent

Export Trends

Table 6 presents aggregated Ontario export data for the 1971-74 period in both current and constant dollars.

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[4] The "Outlook for the Automotive Industry in Ontario", Office of Economic Policy, June 1975.

ONTARIO EXPORTS, 1971-1974 Table 6

Year	Crude Materials	Food, Feed Beverages & Tobacco	Fabricated Materials	End Products	Special Transactions	Total Exports
(In Millions of Current Dollars)						
1971	816.0	376.9	1,523.8	5,011.0	15.7	7,727.8
1972	778.3	426.9	1,685.8	5,928.6	20.4	8,840.0
1973	962.7	537.5	2,175.5	6,907.6	22.3	10,605.6
1974	1,063.0	615.5	2,925.2	7,242.1	26.9	11,872.7
% Change 1974/73	10.4	14.5	34.5	4.8	20.6	11.9
(In Millions of 1968 Dollars)						
1971	775.3	397.1	1,424.4	4,723.1	15.7	7,335.6
1972	728.1	429.5	1,525.6	5,489.4	20.4	8,192.8
1973	758.6	396.4	1,672.2	6,239.9	22.3	8,546.0
1974	512.8	281.1	1,718.7	5,902.3	26.9	7,075.5
% Change 1974/73	-32.4	-29.1	2.8	-5.4	20.6	-17.2

Source: Statistics Canada, Summary of Exports, Cat. No. 65-002.

Adjusting the data for inflationary factors indicates that substantial real value declines were recorded in all export categories except fabricated materials and special transactions during 1974. The real value of the Province's total domestic exports has declined by over 17 per cent from 1973 levels.

Provincial export data on individual commodities is available only with considerable time lag. Table II in the Appendix provides a detailed view of Canadian export trends since 1970. Highlights of these export trends are:

- Exports of iron and steel mills and pulp and paper mills registered increases in 1974 of 56 and 53 per cent, respectively. Compensating for price increases, the real rates of increase were 19 and 17 per cent. Quarterly comparisons reveal that both these industries expanded exports throughout 1974.
- Exports of aircraft and parts registered the largest 1974 constant dollar annual growth rate at 27 per cent, reflecting a high level of shipments in the first quarter. Export levels declined sharply during the remainder of the year and by the fourth quarter the value of aircraft and parts exported was some 14 per cent below the total for the same period in 1973.

- All other export categories recorded "real value" declines in the 1973-74 period. Exports of distilled alcohol (down 48 per cent) and nickel and copper (down 33 per cent) represented the largest declines. Export demand for nickel and copper alloys appeared particularly weak in the final quarter of the year.

APPENDIX

FORECAST OF 1975 CANADIAN EXPORTS, THE CONFERENCE BOARD IN CANADA

Appendix Table I

Year	Motor Vehicle	Manufactured Goods	Resource Materials	Forest, Farm and Fish Products	Wheat	Total Merchandise Exports
In Millions of 1961 Dollars						
1970	3195	2788	3838	3451	753	14,025
1971	3731	2693	3865	3675	892	14,856
1972	4107	3394	4049	3808	963	16,321
1973	4533	3897	4814	4030	860	16,321
1974^{P}	4173	4288	4654	3678	745	17,538
1975^{F}	4002	3731	4570	3662	750	16,715
Per Cent Change						
73/74	-7.9	10.0	-3.3	-8.7	-13.4	-3.3
74/75	-4.1	-13.0	-1.8	-0.4	0.7	-4.7
Quarterly Data (In Millions of 1961 Dollars - Seasonally adjusted annual averages)						
74:I	4188	4624	4685	3803	764	18,064
74:II	3995	4284	4606	3653	754	17,292
74:III	4555	4362	4717	3678	712	18,024
74:IV^{P}	3956	3880	4608	3576	750	16,770
75:I^{F}	3902	3708	4564	3570	750	16,494
75:II^{F}	3968	3695	4587	3621	750	16,621
75:III^{F}	4031	3726	4559	3695	750	16,761
75:IV^{F}	4106	3796	4571	3760	750	16,983

Source: Bank of Canada Review
P=Preliminary
F=Forecast, The Conference Board in Canada

CANADIAN EXPORTS - COMMODITY DETAIL, 1970-1974

Appendix Table II

Year	Iron and Steel Products	Nickel and Copper Ores	Copper Alloys	Nickel Alloys	Pulp and Paper Products	Aircraft and Parts	Office and Store Machinery	Distilled Alcohol
In Millions of Current Dollars								
1970	424.7	633.1	474.6	434.2	1895.7	379.0	114.3	182.9
1971	388.1	618.1	381.6	319.0	1880.7	331.9	147.4	184.9
1972	395.1	640.3	405.8	314.2	1977.4	475.1	184.2	210.1
1973	479.1	996.3	520.6	377.2	2345.5	414.0	205.2	231.3
1974	747.8	1085.3	644.6	434.2	3583.3	582.8	216.6	193.8
Quarterly Data								
74:I	132.0	269.1	165.6	96.1	764.3	248.0	49.0	47.3
74:II	165.1	300.8	180.1	106.9	874.9	124.5	51.0	53.7
74:III	216.6	299.7	180.0	126.4	939.7	101.9	50.9	37.3
74:IV	234.1	215.7	118.9	104.8	1004.4	108.4	65.7	55.5
Per Cent Change 73/74	56.1	8.9	23.8	15.1	52.8	40.8	5.6	-16.2
In Millions of 1968 Dollars*								
1970	389.9	591.7	435.8	398.7	1740.7	365.3	109.9	196.7
1971	362.7	587.5	356.6	298.1	1757.7	312.8	138.9	195.0
1972	357.6	599.0	367.2	284.3	1789.5	439.5	170.4	209.5
1973	368.3	785.1	400.2	289.9	1802.8	374.0	185.4	170.6
1974	439.4	523.5	378.7	255.1	2105.3	475.0	176.5	88.5
Quarterly Data								
74:I	85.1	157.5	106.7	61.9	492.4	212.9	42.1	21.9
74:II	99.3	144.3	108.4	64.3	526.4	104.4	42.8	23.8
74:III	122.9	135.2	102.2	71.7	533.3	82.1	41.0	17.5
74:IV	127.2	94.8	64.6	57.0	545.6	83.1	50.4	25.0
Per Cent Change 73/74	19.3	-33.3	-5.4	-12.0	16.8	27.0	-4.8	-48.1

Source: Statistics Canada: Summary of Exports; Canadian Statistical Review, May 1975

* Price adjustments are based on Statistics Canada aggregate commodity group export price indexes.

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